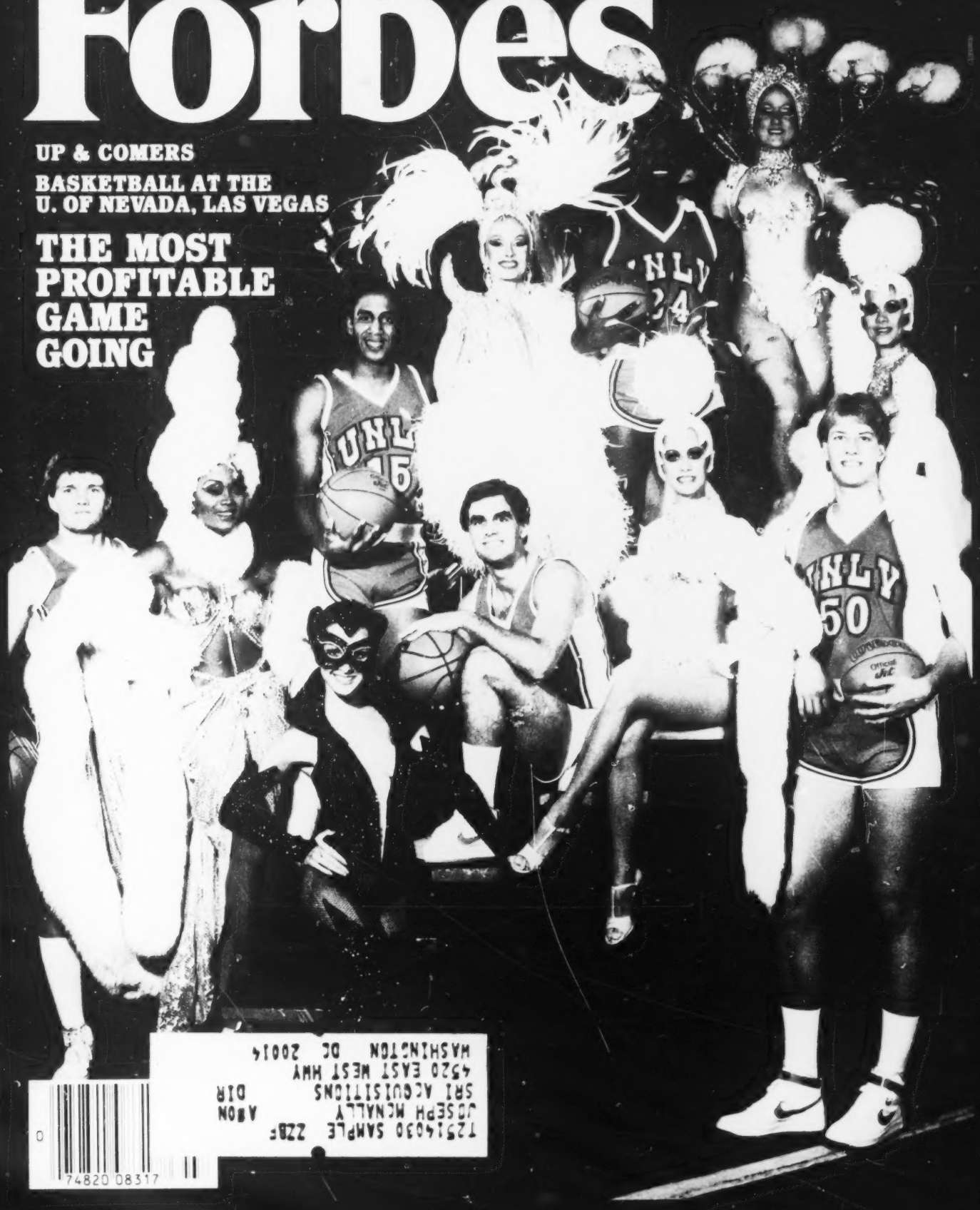
FEBRUARY 13, 1984 THREE DOLLARS

Forbes

UP & COMERS

BASKETBALL AT THE U. OF NEVADA, LAS VEGAS

THE MOST PROFITABLE GAME GOING



T2514030 SAMPLE ZZB:
JOSEPH MCNALLY A8ON
SRI ACQUISITIONS DIR
4520 EAST WEST HWY
WASHINGTON DC 20014

0 74820 08317

February 13, 1984
Volume 133,
Number 4

***102** Cover Story: Where else can you get $2.6 million in revenues on an outlay of $658,000?*

***41** Pro Football: Not whether you won or lost, but how you played the ratings game.*

***50** Gates Learjet: A one-product company tries another product.*

The editorial index of companies referred to in this issue is on page 194.

39 Computers:
Who Is The Real Big Brother?
Is Apple's new Macintosh really aimed at the IBM PC, or is Apple smarter than that?

41 Sports:
The USFL And The Sophomore Jinx
Don't expect the new pro football league to fold automatically this year. It may have lost a bundle in 1983, but TV made a tidy profit.

42 Marketing:
The Elvis Business
The king of rock 'n' roll left behind a big legend and a small estate. Now some high-powered marketers are in charge of both.

44 Retailing:
Mobil Wants To Be Your Milkman
The big oil company considers convenience stores "a natural extension of the gasoline business." Look out, 7-Eleven.

45 Poland:
The Jaruzelski Index
It tracks the black market. And the higher it is, the worse things are.

50 Companies:
Gates Learjet
The pioneer of business jets is gambling on a new plane—with, of all things, propellers.

56 Profiles:
Ken Laub
Leasing through intimidation.

62 Companies:
Nestlé S.A.
It's takeover-proof and wallowing in cash, so about the only thing that could go wrong would be in acquisitions. You guessed it.

66 Companies:
Winnebago Industries
"Simple as falling off a log."

71 Beverages:
Mixing Coke With Seagram's
A delicious concoction for both parties.

72 Taxing Matters:
Bob Dole And Subchapter C
Election year or not, keep an eye on him. Also: The battle over cigarette taxation.

76 Companies:
Windmere Corp.
"It's idiotic," says Belvin Friedson, grumbling all the way to the bank.

79 Companies:
Carling O'Keefe Ltd.
If you can't lick 'em. . . .

82 Automobiles:
Now Comes The Hard Part
GM has a division to make small cars. Now all it has to do is prove it can sell them.

84 Automobiles:
Meanwhile, In Europe . . .
. . . Don't bet against the hare.

90 Companies:
Popeyes Famous Fried Chicken & Biscuits
Come on. How can anybody make money against Kentucky Fried and Church's? The fact is, Al Copeland is doing right well at it.

92 The Up & Comers:
Merry-Go-Round Enterprises, Inc.
Catering to the rock-video set. Also: Action Industries, Inc.; GTS Corp.; Angelica Corp.

102 Cover Story:
Basketball, Las Vegas-Style
Big-time college basketball is not really a business, you say? Take a look at it at the University of Nevada, Las Vegas.

112 Companies:
Tootsie Roll Industries, Inc.
Who says designer chocolates are the way to make money in the candy business?

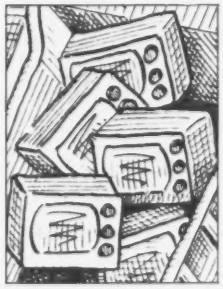
114 On The Docket:
Old Lawsuits Never Die
There's big money in the Zenith dumping case against the Japanese. There had better be. Also: Can the NLRB install a union?

116 Education:
The Thunderbird Mystique
They know it in Brussels even if you don't.

123 Investing:
Wilson's Wisdom
TIGRs' father thinks about kittens.

124 Profiles:
Thomas Monaghan
"I want to be an example that you can be both honest and successful," he says. So far, he's been proving the point.

92 *The Up & Comers: "It's simple . . . they have what I like."*



114 *On The Docket: A legal hassle 16 years old and still going strong*

123 *Wilson of M-L: "I think we've just scratched the surface."*

166 *Numbers Game: Can it be that nobody out there can read an annual?*

131 The Funds:
How Did They Do?
Performance figures for the 313 FORBES-rated mutual funds in the second half of 1983.

140 Technology:
Modern Is As Modern Does
Behind its Chippendale pediment, the new AT&T headquarters building in New York is a near-perfect marriage of form and function. Also: Keep it simple—but not too simple.

148 Personal Affairs:
Why Turn Down Uncle Sam's Gift?
It's a mystery: Why have most American families yet to take advantage of IRAs? Also: Speed-reading; employment contracts.

Faces Behind The Figures

156 Jonathan Piel,
Scientific American Inc.
156 Mark Millard,
Shearson/American Express
157 Sara Paretsky,
Author; CNA Financial Corp.
157 Morris Lloyd Jr.,
The Philadelphia Contributionship
158 Sir Michael Edwardes,
ICL
158 Arthur del Prado,
Advanced Semiconductor Materials
160 Joe Debe,
Americus Shareowner Service Corp.

166 Numbers Game:
Pension Accounting
Do the accountants think we're all fools?

168 Statistical Spotlight:
Natural Gas Distributors
They have been on the back burner for years. Time to take another look?

172 The Money Men:
Kenneth Fisher
The trouble with price/earnings ratios.

178 Streetwalker:
The Hunter Hunted
While Castle & Cooke tries to buy Dr Pepper, look who's loading up on Castle & Cooke stock. Also: Amerace; the Bass family goes fishing for Texaco.

Money And Investments

33
What's Ahead For Business
34
The Forbes Index
163
The Forbes/ Wilshire 5000 Review

Columnists

181
Ben Weberman
182
Srully Blotnick
184
Ann C. Brown
186
Thomas P. Murphy
188
Stanley W. Angrist
190
Ashby Bladen

Departments

6
Side Lines
8
Trends
14
Follow-Through
20
Readers Say
23
Fact and Comment
26
Other Comments
29
Fact and Comment II
195
Flashbacks
196
Thoughts

Photos:
6, 102, 103, 104, 105, 110, Shelly Katz; 8, Black Star; 10, Wide World/AP Photos; 14, Theo Westenberger/Liaison; 42 left, 76, Randy Taylor/Sygma; 42 right, Gamma Liaison; 43, Phil Roach/Photo Reporters; 44, 45 left, Tom Ives/Black Star; 46, Chris Niedenthal/Black Star; 50, 116, 118, Cradoc Bagshaw; 56, Leslie Wong; 62, Yves Debraine/Black Star; 66, Jim Kilkelly; 71, Joe McNally; 72, Walker/Liaison; 80, 157, Kevin Horan; 82, left, Hans G. Lewmann; 82 right, Jim Dunne Photo; 84, Graham Finlayson; 90, Mathias Oppersdorf; 92, Robin Kinmonth; 96, Lynn Johnson/Black Star; 101, Christopher Harris; 106, 148 top, 158 top, Bill Kelly; 112, Jim Mendenhall; 123, Ray Fisher; 128, Steve Leonard; 140, 144 center, Michael Melford/Wheeler Photo; 144 left and right, AT&T; 146, Ted Kappler; 148 middle, Bob Paskach; 148 bottom, Walker/Liaison; 149 top, Goldberg/Sygma; 149 bottom, 156 bottom, Michael Abramson; 156 top, Peter Tenzer; 158 bottom, Robin Laurence; 160 top, Charles Von Hofter/Black Star; 160 bottom, Bob Sacha; 172, Ed Kashi/Liaison

Illustrations:
41, Peter de Seve; 72, 74, 166, Chas. B. Slackman; 112, Tim Lewis; 150, Phil Huling

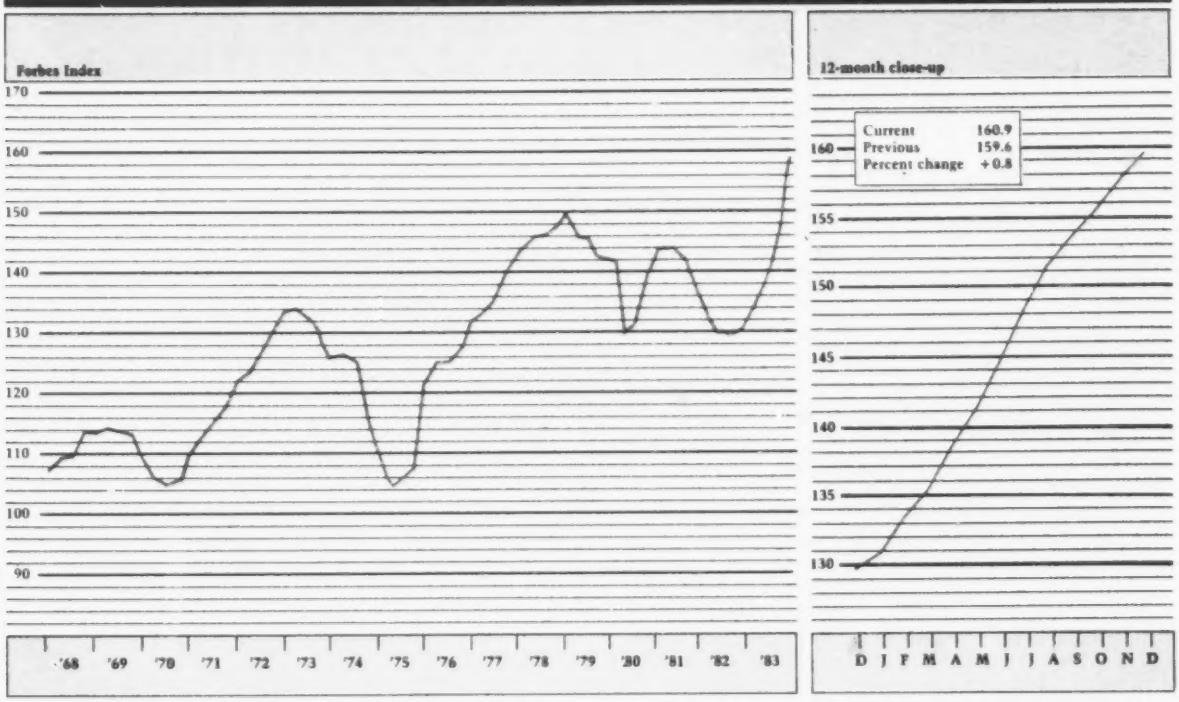
Cover Photograph: Randy Tunnell, Dancers from Siegfried and Roy's "Beyond Belief," Frontier Hotel

Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in April and two weeks in October by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $39 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1984 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

Forbes does not supply back issues or copies of individual articles nor can it provide information on the contents of earlier issues. Photocopies may be ordered from University Microfilms International, 300 N. Zeeb Road, Ann Arbor, Mich. 48106. The full text of each issue of Forbes is also available on the Nexis databank. Abstracts of selected articles or issues are available on the New York Times Infobank (through Nexis), Dialog and the Dow Jones databank. Information on the contents of issues can be found in *Readers' Guide to Periodical Literature* or *Business Periodicals Index*, both published by the H.W. Wilson Co. and found in most libraries.

The Forbes Index



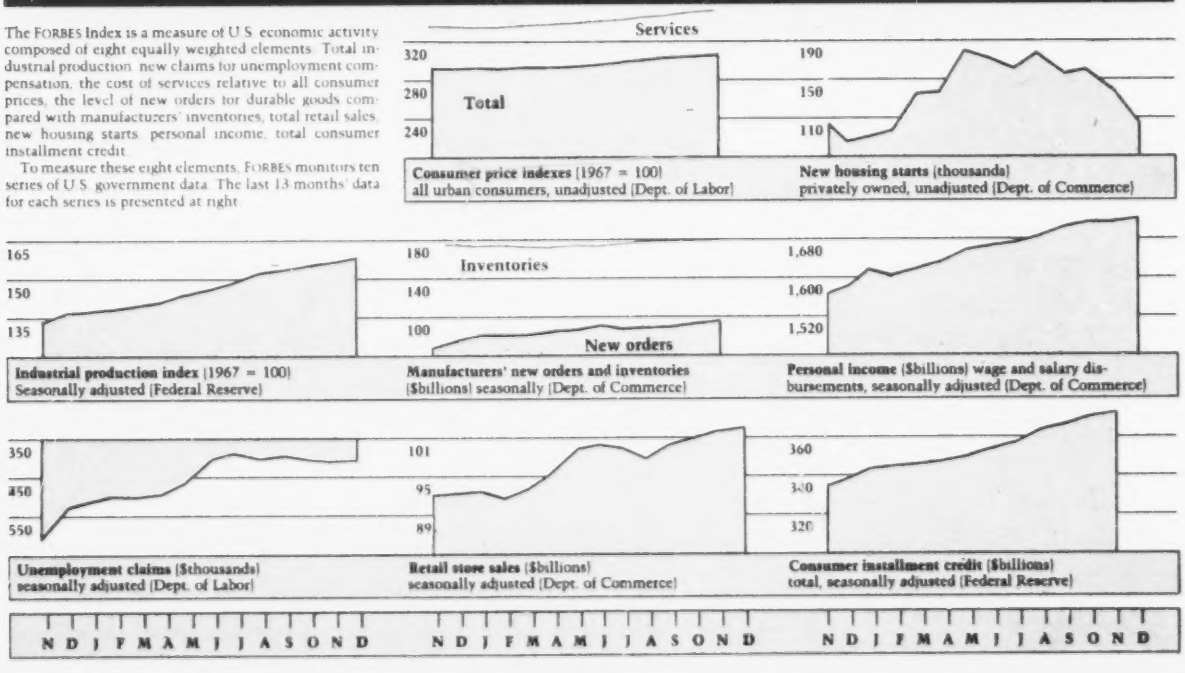
Slowing up. The Forbes Index registered a 0.8% gain in the latest reporting period, one of the smallest upward moves in recent months. Weakness in new housing starts and retail sales offset a drop in new unemployment claims and a rise in personal income.

The less-than-0.1% seasonally adjusted monthly gain in December retail sales was disappointing, despite the record cold and fewer holiday shopping days. Nevertheless, sales in December 1983 were 10.4% higher than in December of 1982. Snow and ice also contributed to a drop-off in new housing starts, down 21.5% from November on an unadjusted basis. Still, this figure is up 29.7% from the previous year. Consumer installment credit continues to rise and is up 11.3% from the same period last year.

The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements. Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 13 months' data for each series is presented at right.



Those two old foes, Ford and General Motors, are racing ahead in Europe. One has a tortoise, one has a hare, but don't bet against the hare.

Car wars

By Rosemary Brady

ON ONE SIDE of the autobahn put the most controversial car to skid into the European market in years: the Sierra, Rubenesque round and up-to-130-miles-per-hour fast. On the other side of the white line put a tiny box-on-wheels, the plodding Corsa, a.k.a. Nova in Britain. At a steady 56 miles per hour it gets 57 miles to the gallon.

What's strange is that the Corsa is from General Motors, king of the big car *(see story on GM's small-car trouble in the U.S., p. 82)*, while the racy Sierra is a Ford, the small-car champion in the U.S. Neither is built in the U.S. Thanks to Sierra, Ford is close to snatching sales leadership in Europe, for the first time, from Renault. But GM sales are jumping even faster than Ford's because of the Corsa, although GM won't catch up because it doesn't have the capacity or the profits to match Ford in the European race.

Edward Blanch, Ford-Europe chairman, and his Sierra
Selling alongside the BMW, where the money is.

Europe isn't like the U.S., with one dominant auto company and two more trailing far behind. Six companies—Renault, Ford, Fiat, VW, GM and Peugeot—are all bunched together at 11%-to-13% of the market, and there are strong smaller companies, like Volvo, Mercedes and BMW. There's no chance the big American companies will crush the others. Even if they lose money, as they have been, national companies like Renault, Fiat, British Leyland and even VW will always be protected by the home governments.

But European profits have saved Ford: $451 million in bleak 1982 and something less last year because of the strong dollar and price wars in Britain and Spain, where Ford and GM battle. Ford keeps chopping costs, too. Since 1980 Ford has halved inventory, dismissed a third of its suppliers, cut the work force by 20% and installed more than 700 robots. Even at old Dagenham, Ford's plant in England, which takes 40% more time to produce a Sierra than does the Belgian plant, the manager, Eric Munday, says as he watches robots attack the body of a small car, "I have a long way to go, but we've significantly reduced the amount of industrial disputes, and we're 8% more efficient." Still, Ford continues to move work from high-cost England. Last week it said it would close Dagenham's foundry, meaning 2,000 jobs will be lost there.

Trying to catch up to Ford and its big European profits, GM has invested $6 billion since 1978 to revamp its cars and plants in Europe, including a new, robot-filled Corsa factory in Spain. Vauxhall, GM's chronically weak British line, has more than halved its losses, to $57 million, in two years and, GM says, will run in the black in 1984. Opel, GM in Germany, is making money, too, after running in the red in 1980 and 1981.

The Sierra carries Ford-Europe toward higher profit margins. "We wanted to make a powerful statement that we build very technically modern cars, not the average car for the average driver," says Ford-Europe's chairman, Edward Blanch, an American and a Harvard M.B.A. That's not snob appeal. Fancier cars like the Sierra, which cost up to $15,000, should help distance Ford from the Japanese, who are pushing their low-cost models into European markets. The Japanese account for 10% of the total European market, but up to 40% in the nonautomaking countries, where they aren't held back by trade restrictions.

The Sierra's designer, Uwe Bahnsen, an artist-turned-rally driver-turned-Ford vice president, says his pricey car is winning over buyers of BMWs, Mercedes-Benzes and Volvos. It is adding to Ford's market share, not so much in conservative Britain, but about everywhere else: Austria, Norway, Sweden, Switzerland, Ireland, France and Germany. The next new Ford model, a larger Granada, will push in the same direction, aimed at buyers who will pay for speed.

At Russelsheim, GM's European headquarters, Ferdinard Beickler, Opel chairman and GM vice president for European cars, has no apologies for spurning high-performance jobs and staying with economy. "The growth we are experiencing now, in the area of 18% in 1982 and 23% in 1983, demonstrates it was the right decision." Thanks partly to the Corsa, he says, GM's market share in Britain jumped from 8.5% to 14.6% in just two years.

The Corsa, priced at about $5,500, may also do a power of good elsewhere. Produced at a rate of 75 an hour, 1,200 a day, at GM's plant in Zaragoza in northern Spain, the little car gives GM entry into the poorer Greek and Portuguese markets as well as Spain and Western Europe.

Managers hint they may consider expanding in a year or two, but whether they will have good reason

to do so remains to be seen. Margins on GM's small cars are paper thin, and hard competition from the other European companies in addition to the Japanese will keep up the pressure. Beickler bluntly acknowledges as much.

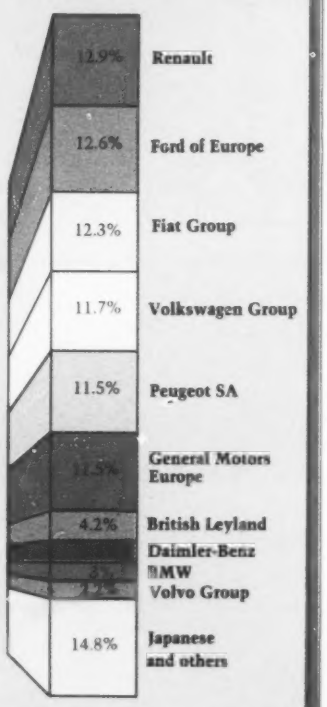
"The return we can create is not sufficient to support the investments we will make to upgrade our product and modernize our facilities," he says, "so we have to do everything in our power to improve profitability."

No question, it's a jungle out there. But it's good to hear that the home teams are finding their way.

Bunched together

GM's Corsa *(below)* put the U.S. company among the sales leaders in Europe, while Ford became a challenger for the number one spot.

1983 European car market (estimated percent share)



RHK556CHV

"Hong Kong may never be seen from a more magnificent point of view."

Only one hotel rises from the very edge of the world's most spectacular harbour.
The Regent.
Inside, shimmering glass from floor to ceiling presents an unforgettable panoramic outlook.
Truly an impressive location for Hong Kong's finest hotel.

the Regent HONG KONG

A REGENT® INTERNATIONAL HOTEL

HONG KONG BANGKOK KUALA LUMPUR MANILA FIJI COLOMBO SYDNEY MELBOURNE HAWAII PUERTO RICO ALBUQUERQUE NEW YORK CHICAGO WASHINGTON

U.S.A. TOLL FREE 800-545-4000; HONG KONG 5-7211211, TELEX HX37134 OR YOUR TRAVEL AGENT.

THE BIRDS AND THE BEES: AN UPDATE.

Do you know which bird is an incurable romantic? Or that farmers aren't sweet on bees just for their honey?

Watch the award-winning PBS series, NATURE, and discover some of the fascinating things that have been learned since you took Biology 101.

It's brought to you by Sperry. Because we believe that television this good ought to be one of the facts of life.

SPERRY

WE UNDERSTAND HOW IMPORTANT IT IS TO LISTEN.

Sundays at 8 PM on PBS. Check local listings. Production of WNET-THIRTEEN, New York.

© Sperry Corporation, 1984

The last half of 1983 was a wonderful time to be selling mutual funds. It was not such a wonderful time to be buying.

Valiant efforts

By Barbara Rudolph

IF YOU INVESTED in a mutual fund for the first time in the middle of last year, your decision may now seem exquisitely ill timed. Measured in terms of total return, the average mutual fund was down 3.2% for the last six months of 1983. Still, shareholders are getting something for their money: The broad-based Wilshire index was down 4.4% for the same period.

Of the 313 funds listed on the following pages—all stock and balanced funds rated in FORBES' annual mutual fund survey—127 posted gains in the period. Because of strong overseas markets, international funds did particularly well. The Japan Fund (included with other closed-end funds on p. 138), top ranked, enjoyed a 19.6% total return, while Scudder International was up 8.2%.

It was a tricky market, enough to throw some fund managers with impressive long-term records. For example, 20th Century Select, a growth fund that averaged a 24.7% average annual return for the 10½ years ended June 30, is off 7% since then. The portfolio was managed no differently, says Vice President Robert Puff, except that the fund's turnover was 57% for the fiscal year that ended Oct. 31, compared with its usual rate of over 100%. "The market just hasn't been cooperative," Puff explains.

Other top long-term performers stuck to their usual strategies and enjoyed better results. Mutual Shares, for example, is up 8.8% since the end of June. "We've been doing the same things for 30 years," says Vice President Michael Price, referring to his strategy of investing in bankrupt companies and special situations. Price's biggest gainers included Amstar, a target for leveraged buyout, and Norlin.

Short-term performance, of course, is only one indicator of a manager's abilities, and often not a particularly good one. Consider another fund that has performed well over the long haul—Vanguard's Explorer Fund, which focuses on emerging technology companies. Its total return for the last half of 1983 was –12.5%. The market decimated small stocks, says manager Frank Wisneski, "and I am not convinced there is anything I could have done differently."

That's why redemptions could become a problem for the industry. Many new shareholders are first-time investors, lured by aggressive advertising and performance records piled up during the recent bull market. "We have letters coming in from people who thought the market was a one-way street," says Twentieth Century's Puff. "There's a lot of educating going on, and some Nervous Nellies may end up back in money market funds."

For the moment, the statistics still look good. Redemptions ran about 35% of total sales last year. In 1982 that figure was close to 50%. But unless the industry's relative performance improves quickly, this ratio could rise fast.

Six-month performance rankings

While there were dramatic moments in the second half of 1983, the broad-based Wilshire index declined 4.4%. But mutual fund shareholders got something for their money. The average fund listed here was down only 3.2%.

Fund (type)	Six-month —total return— %	rank	Assets 12/30/83 (mil)
Acorn Fund (N)	–2.7%	172	$ 174.1
ADV Fund (N)	–5.9	213	33.0
Affiliated Fund (L)	6.8	11	2,076.7
Afuture Fund (N)	–14.8	292	34.6
Alpha Fund (L)	–5.4	208	22.7
AMCAP Fund (L)	–0.3	134	965.1
American Balanced Fund (L)	1.3	99	114.5
American Birthright Trust (L)	–11.2	264	155.7
American Capital Comstock Fund (L)	4.2%	41	$503.6
American Capital Enterpr Fund (L)	–6.2	218	613.1
American Capital Harbor Fund (L)	5.0	28	185.2
American Capital Pace Fund (L)	4.4	37	1,151.7
American Capital Venture (L)	–7.8	232	410.0
American Growth Fund (L)	0.5	117	58.0
American Investors Fund (N)	–19.5	305	116.9
American Leaders Fund (L)	6.0	17	49.0

(L) Load (N) No load

Sources: Computer Directions Advisors, Forbes

The Funds

Fund (type)	Six-month —total return— %	rank	Assets 12/30/83 (mil)
American Mutual Fund (L)	4.1%	43	$871.8
American Natl Growth Fund (L)	-10.6	259	100.9
American Natl Income Fund (L)	3.6	48	40.8
Armstrong Associates (N)	-11.2	267	11.4
Axe-Houghton Fund B (L)	-3.3	182	147.0
Axe-Houghton Stock Fund (L)	-13.5	283	150.8
David L Babson Growth Fund (N)	-2.7	172	231.0
Beacon Hill Mutual Fund (N)	0.1	124	2.6
BLC Growth Fund (L)	0.9	106	19.0
BLC Income Fund (L)	8.2	5	23.4
Boston Co Capital Apprec Fd (N)	1.3	99	238.1
Boston Foundation Fund (L)	5.1	24	28.5
Boston Mutual Fund (N)	-0.9	144	5.0
Bruce Fund (N)	-2.4	166	1.8
Bull & Bear Capital Gr Fund (N)	-8.8	245	76.1
Bull & Bear Equity-Inc Fund (N)	0.4	119	5.3
Bullock Fund (L)	-2.8	174	142.4
Canadian Fund (L)	2.9	65	26.0
The Cardinal Fund (L)	2.1	83	17.7
Centennial Growth Fund (L)	-23.5	312	22.0
Century Shares Trust (N)	5.0	28	74.4
Charter Fund (N)	-5.3	207	76.9
Chemical Fund (L)	-8.1	236	1,123.4
CIGNA Growth Fund (L)	-3.2	181	192.4
CIGNA Income Fund (L)	0.1	124	209.2
The Colonial Fund (L)	5.3	21	88.2
Colonial Growth Shares (L)	-4.4	194	67.5
Columbia Growth Fund (N)	-4.8	200	145.5
Commerce Income Shares (L)	-4.2	191	52.5
Commonwealth Fund Plan A&B (L)	0.6	116	9.9
Commonwealth Fund Plan C (L)	-0.6	141	36.6
Composite Bond & Stock Fund (N)	-2.0	160	27.1
Composite Fund (N)	-4.9	202	40.8
Concord Fund (N)	-2.5	169	1.8
The Constellation Growth Fd (N)	-20.0	306	125.7
Corp Leaders Trust Fd Ser B (L)	5.5	19	53.9
Country Capital Growth (L)	-5.4	208	57.3
Decatur Income Fund (L)	5.3	21	512.0
Delaware Fund (L)	-8.3	237	301.7
Delta Trend Fund (L)	-20.5	307	73.9
de Vegh Mutual Fund (N)	-9.0	247	62.0
Directors Capital (N)	-4.5	196	0.4
Dividend Shares (L)	1.8	88	276.5
Dodge & Cox Balanced Fund (N)	2.2	81	19.6
Dodge & Cox Stock Fund (N)	2.8	68	27.4
The Drexel Burnham Fund (N)	-1.8	158	75.3
The Dreyfus Fund (L)	4.6	33	1,860.6
Dreyfus Growth Opportunity (N)	-0.5	137	415.0
The Dreyfus Leverage Fund (L)	4.2%	41	$369.6
The Dreyfus Special Inc Fd (N)	4.1	43	85.7
Dreyfus Third Century Fund (N)	-2.6	171	131.1
Eagle Growth Shares (L)	-5.2	205	6.0
Eaton & Howard Bal Fund (L)	2.0	86	64.0
Eaton & Howard Stock (L)	2.1	83	70.6
Eaton Vance Growth Fund (L)	-1.5	151	63.7
Eaton Vance High Yield (L)	2.6	75	22.8
Eaton Vance Inc Fd of Boston (L)	1.3	99	37.5
Eaton Vance Investors Fund (L)	2.7	71	152.6
Eaton Vance Special Equities (L)	-6.3	221	47.7
Energy & Utility Shares (N)	2.3	78	9.0
Energy Fund (N)	0.9	106	359.0
The Evergreen Fund (N)	-4.3	192	221.8
Explorer Fund (N)	-12.5	276	260.4
Fairfield Fund (L)	-17.8	301	55.7
Farm Bureau Growth Fund (N)	-1.6	156	47.2
Fidelity Contrafund (N)	-1.6	156	86.2
Fidelity Destiny Fund (L)	0.2	122	540.4
Fidelity Equity-Inc Fund (L)	3.3	57	743.6
Fidelity Fund (N)	-0.5	137	668.9
Fidelity Magellan Fund (L)	-3.7	185	1,606.9
Fidelity Puritan Fund (N)	7.5	9	823.1
Fidelity Trend Fund (N)	1.0	104	639.9
Financial Dynamics Fund (N)	-11.3	267	82.4
Financial Industrial Fund (N)	-6.1	214	358.6
Financial Industrial Inc Fd (N)	2.8	68	219.1
First Investors Discovery (L)	-15.0	293	35.3
First Investors Fd for Growth (L)	-9.8	251	95.1
First Investors Natural Res (L)	-15.0	293	12.4
First Investors Option Fund (L)	0.4	119	117.2
The 44 Wall Street Fund (N)	-24.4	313	181.7
Founders Growth Fund (N)	-6.1	215	47.3
Founders Income Fund (N)	3.6	48	7.0
Founders Mutual Fund (N)	3.4	54	142.7
Founders Special Fund (N)	-15.4	295	94.5
Franklin Custodian-Dynatech (L)	-9.5	250	43.9
Franklin Custodian-Growth (L)	-4.0	188	18.8
Franklin Custodian-Income (L)	3.1	59	71.4
Franklin Custodian-Utilities (L)	7.7	8	26.6
Franklin Gold Fund (L)	-6.2	218	114.5
Franklin Option Fund (L)	-0.7	143	6.1
Fund of America (L)	3.0	63	137.7
Fund of the Southwest (L)	-7.7	231	8.0
Fundamental Investors (L)	3.6	48	408.0
General Securities (N)	-0.9	144	13.0
Growth Fund of America (L)	-0.5	137	445.1
Growth Industry Shares (N)	-11.3	267	63.5

(L) Load (N) No load

Sources: Computer Directions Advisors, Forbes

The Funds

Fund (type)	Six-month —total return— %	rank	Assets 12/30/83 (mil)
Guardian Mutual Fund (N)	1.4%	92	$309.3
The Guardian Park Ave Fd (L)	-1.8	158	51.1
Hamilton Funds (L)	-7.1	225	222.6
John Hancock Growth Fund (L)	-5.5	211	53.0
Hartwell Growth Fund (N)	-12.8	280	13.6
Hartwell Leverage Fund (N)	-23.1	311	55.1
IDS Growth Fund (L)	-18.2	304	630.9
IDS New Dimensions Fund (L)	-10.9	262	355.3
IDS Progressive Fund (L)	1.8	88	164.1
Income Fund of America (L)	4.8	31	283.3
International Investors (L)	-4.8	200	742.3
The Investment Co of Amer (L)	1.3	99	2,359.9
Investment Trust of Boston (L)	-8.3	237	61.3
Investors Mutual (L)	6.2	16	1,113.2
Investors Research Fund (L)	-16.5	298	36.7
Investors Stock Fund (L)	-1.1	147	1,439.4
Investors Variable Payment (L)	-8.4	240	381.8
ISI Growth Fund (L)	0.8	110	14.2
ISI Income Fund (L)	2.2	81	7.6
ISI Trust Fund (L)	3.4	54	105.2
Istel Fund (N)	-1.5	151	111.1
Ivest Fund (N)	-0.5	137	192.0
Ivy Fund (N)	6.8	11	114.4
Janus Fund (N)	-5.1	203	290.3
JP Growth Fund (L)	-3.8	187	18.3
Kemper Growth Fund (L)	-3.1	180	243.5
Kemper Summit Fund (L)	-7.4	230	152.8
Kemper Total Return Fund (L)	-5.4	208	237.2
Keystone Custodian Fnds K-1 (N)	0.5	117	67.5
Keystone Custodian Fnds K-2 (N)	-5.6	212	141.9
Keystone Custodian Fnds S-1 (N)	-4.5	196	72.3
Keystone Custodian Fnds S-3 (N)	-2.1	162	155.7
Keystone Custodian Fnds S-4 (N)	-16.3	297	610.3
Keystone International Fund (N)	-2.2	165	31.3
Lexington Growth Fund (N)	-14.2	288	35.2
Lexington Research Fund (N)	-0.6	141	111.7
Lindner Fund (N)	2.3	78	315.2
Loomis-Sayles Capital Dev (N)	-10.5	257	143.7
Loomis-Sayles Mutual Fund (N)	0.1	124	95.5
Lord Abbett Develop Growth (L)	-10.5	257	351.4
Lord Abbett Income Fund (L)	1.4	92	50.6
Magna Income Trust (L)	1.4	92	7.7
MagnaCap Fund (L)	4.1	43	9.4
Mairs & Power Growth Fund (N)	-5.7	213	18.9
Manhattan Fund (N)	0.3	121	75.5
Horace Mann Growth Fund (N)	-7.9	234	69.4
Mass Capital Development (L)	-4.4	194	612.7
Mass Finl Development (L)	-7.8	232	212.3
Massachusetts Fund (L)	-7.2%	227	$215.2
Mass Income Development (L)	3.5	52	208.6
Mass Investors Growth (L)	-6.6	222	925.2
Massachusetts Investors Trust (L)	0.9	106	1,124.5
Mathers Fund (N)	-3.0	177	217.2
Merrill Lynch Capital Fund (L)	4.0	47	273.5
MidAmerica High Growth Fund (L)	-2.1	162	14.2
MidAmerica Mutual Fund (L)	-0.1	131	31.7
WL Morgan Growth Fund (N)	-2.9	176	401.6
Mutual Benefit Fund (L)	0.1	124	10.5
Mutual Shares (N)	8.8	2	241.1
Mutual of Omaha Growth Fund (L)	-8.7	244	20.9
Mutual of Omaha Income Fund (L)	2.0	86	45.7
Naess & Thomas Special Fund (N)	-17.9	302	39.5
Nation-Wide Securities (L)	2.8	68	36.5
National Aviation & Technol (N)	-10.8	261	93.0
National Balanced Fund (L)	2.7	71	2.1
National Growth Fund (L)	-17.1	299	86.7
National Income Fund (L)	3.1	59	58.3
National Industries Fund (N)	-1.5	151	30.9
National Stock Fund (L)	-1.4	150	229.3
National Total Return Fund (L)	1.5	91	131.5
Nationwide Fund (L)	1.4	92	234.2
Nationwide Growth Fund (L)	1.4	92	50.7
NEL Equity Fund (L)	4.6	33	16.9
NEL Growth Fund (L)	-11.7	269	176.4
NEL Retirement Equity Fund (L)	-0.1	131	69.5
Neuwirth Fund (N)	-17.9	302	23.0
New Perspective Fund (L)	5.1	24	609.7
New York Venture Fund (L)	0.0	128	88.0
Newton Growth Fund (N)	-14.3	289	29.9
Newton Income Fund Portfolio (N)	2.7	71	6.5
Nicholas Fund (N)	-3.7	185	163.7
Nicholas Income Fund (N)	3.5	52	14.6
North Star Stock Fund (N)	0.8	110	49.5
Old Dominion Investors' Tr (L)	3.6	48	4.3
Omega Fund (N)	-9.2	249	28.6
The One Hundred & One Fund (N)	-3.6	184	1.3
The One Hundred Fund (N)	-20.8	308	12.2
The One William Street Fund (N)	-0.3	134	389.2
Oppenheimer AIM Fund (L)	-8.0	235	280.1
Oppenheimer Equity Income Fd (L)	-1.1	147	62.1
Oppenheimer Fund (L)	-7.2	227	302.8
Oppenheimer Special Fund (L)	5.1	24	625.7
Oppenheimer Time Fund (L)	-10.2	253	183.4
Over-The-Counter Securities (L)	-3.3	182	78.7
Paramount Mutual Fund (L)	5.4	20	101.2
Partners Fund (N)	2.9	65	148.1

(L) Load (N) No load

Source: Computer Directions Advisors, Forbes

The Funds

Fund (type)	Six-month —total return— %	rank	Assets 12/30/83 (mil)
Penn Square Mutual Fund (N)	4.4%	37	$182.2
Pennsylvania Mutual Fund (N)	1.6	90	115.0
Philadelphia Fund (L)	-2.1	162	115.0
Phoenix Convertible Fund Ser (L)	4.6	33	64.6
Pilgrim Fund (L)	-0.3	134	41.4
Pilot Fund (L)	-12.5	276	73.8
Pine Street Fund (N)	-1.5	151	45.9
Pioneer Fund (L)	1.3	99	1,352.4
Pioneer II (L)	2.1	83	1,140.0
Plitrend Fund (N)	-6.2	218	69.3
Precious Metals Holdings (N)	-7.3	229	63.0
T Rowe Price Growth Stock Fd (N)	-4.6	199	1,013.1
T Rowe Price New Era Fund (N)	1.4	92	485.0
T Rowe Price New Horizons Fd (N)	-13.7	285	1,355.0
PRO Fund (N)	-10.1	252	32.1
Provident Fund for Income (L)	4.4	37	111.5
Putnam Convertible Fund (L)	-2.8	174	41.7
The George Putnam Fd Boston (L)	0.0	128	328.8
The Putnam Growth Fund (L)	1.4	92	804.6
The Putnam Income Fund (L)	3.1	59	152.0
Putnam Intl Equities (L)	7.4	10	44.7
Putnam Investors Fund (L)	-8.3	237	975.7
Putnam Vista Fund (L)	-2.5	169	164.4
Putnam Voyager Fund (L)	-2.3	275	218.4
Qualified Dividend-Portfolio I (N)	8.7	3	52.7
Quasar Associates (N)	-11.2	264	47.1
Research Equity Fund (L)	-2.0	160	62.2
SAFECO Equity Fund (N)	-0.1	131	34.0
SAFECO Growth Fund (N)	2.3	78	65.8
SAFECO Income Fund (N)	6.5	15	21.1
St Paul Capital Fund (L)	-7.0	223	70.2
St Paul Growth Fund (L)	-12.2	272	76.0
Scudder Capital Growth Fund (N)	-3.0	177	233.7
Scudder Common Stock Fund (N)	-4.5	196	258.0
Scudder Development Fund (N)	-8.4	240	221.1
Scudder Income Fund (N)	2.6	75	110.2
Scudder International Fund (N)	8.2	5	133.5
Security Equity Fund (L)	-13.9	287	246.4
Security Investment Fund (L)	-12.1	271	114.4
Security Ultra Fund (L)	-14.6	290	90.4
Selected American Shares (N)	8.5	4	81.4
Selected Special Shares (N)	-1.3	149	36.6
Seligman Capital Fund (L)	-13.5	283	154.4
Seligman Common Stock Fund (L)	3.1	59	428.8
Seligman Growth Fund (L)	-8.4	240	717.9
Seligman Income Fund (L)	2.9	65	76.8
Sentinel Balanced Fund (L)	4.5	36	13.7
Sentinel Common Stock Fund (L)	5.1	24	318.9
Sentinel Growth Fund (L)	-8.6%	243	$41.2
Sentry Fund (L)	-13.1	281	30.3
Sequoia Fund (N)	10.9	1	350.7
Shearson Appreciation Fund (L)	0.7	113	116.7
Sherman, Dean Fund (N)	-21.9	309	4.3
Sierra Growth Fund (N)	-12.5	276	6.7
Sigma Capital Shares (L)	0.2	122	37.3
Sigma Investment Shares (L)	3.0	63	55.9
Sigma Special Fund (L)	-4.3	192	16.3
Sigma Trust Shares (L)	3.3	57	25.1
Sigma Venture Shares (L)	-11.0	263	55.0
Smith, Barney Equity Fund (N)	-4.1	190	65.7
Smith, Barney Income & Growth (L)	0.8	110	5.5
SoGen International Fund (L)	2.7	71	43.5[1]
Southwestern Investors Inc (N)	3.4	54	10.2
Sovereign Investors (L)	6.7	13	13.2
State Bond Common Stock Fd (L)	-7.1	225	33.1
State Bond Diversified Fund (L)	2.5	77	9.9
State Bond Progress Fund (L)	-13.1	281	7.7
State Street Investment (L)	-5.2	205	526.0[1]
Steadman Amer Industry Fund (N)	-14.7	291	11.9
Steadman Investment Fund (N)	-10.2	253	13.5
Steadman Oceanographic Fund (N)	-17.5	300	8.0
Stein Roe & Farnham Cap Opp (N)	-21.9	309	252.5
Stein Roe & Farnham Stock Fd (N)	-15.5	296	269.4
Stein Roe Total Return Fnd (N)	-3.0	177	93.0
Stratton Growth Fund (N)	-2.4	166	13.5
Surveyor Fund (L)	-12.0	270	100.8
Technology Fund (L)	-5.1	203	642.2
Templeton Growth Fund (L)	5.6	18	890.6
Transamerica Capital Fund (L)	0.7	113	43.3
Transatlantic Fund (N)	8.1	7	35.4
Travelers Equities Fund (L)	-1.5	151	49.3
Tudor Fund (N)	-12.2	272	91.4
20th Century Growth Invest (N)	-8.8	245	673.8
20th Century Select Invest (N)	-7.0	223	743.4
Unified Mutual Shares (N)	0.9	106	10.0
United Accumulative Fund (L)	-2.4	166	501.0
United Contl Income Fund (L)	1.0	104	48.9
United Income Fund (L)	4.9	30	550.7
United Intl Growth Fund (L)	6.7	13	86.9
United Science & Energy Fd (L)	-4.0	188	178.6
United Services Gold Shares (N)	-10.2	253	316.8
United Vanguard Fund (L)	-9.0	247	317.3
The Value Line Fund (N)	-13.7	285	203.3
The Value Line Income Fund (N)	-6.1	215	126.0
Value Line Levgd Growth Inv (N)	-10.4	256	216.1
Value Line Special Situations (N)	-12.6	279	337.9

[1]Assets as of 9/30/85 (L) Load (N) No load

Sources: Computer Directions Advisors, Forbes

The Funds

Fund (type)	Six-month —total return— %	rank	Assets 12/30/83 (mil)
Vance, Sanders Special Fund (L)	0.7%	113	$130.0
Vanguard Index Trust (N)	0.0	128	233.6
Variable Stock Fund (N)	−1.0	146	6.6
The Wall Street Fund (L)	−10.7	260	6.5
Washington Mutual Inv Fund (L)	4.3	40	559.3
Weingarten Equity Fund (N)	−12.2%	272	$117.4
Wellesley Income Fund (N)	4.7	32	105.4
Wellington Fund (N)	4.1	43	613.8
Windsor Fund (N)	5.2	23	1,727.1

(L) Load (N) No load

Sources: Computer Directions Advisors, Forbes

Even more valiant efforts

They're hardly heroes, but for the last half of 1983 portfolio managers at closed-end funds did a bit better than their counterparts at open-end funds. As a group, total returns for closed-ends are down 0.9%. This looks surprisingly good compared with the 3.2% drop for the equity and balanced funds that are rated in FORBES' annual mutual fund survey.

Such performance, of course, is small comfort to the average investor. He worries mostly about the price of closed-end shares. These were down an average of 2% for the period, not far out of line from the performance of the overall market.

There is one big winner in the group, however. The Japan Fund is the best performer of all funds for the period. Its total return and share price were both up over 19%. The reason is simple: The Tokyo Stock Exchange was up a hefty 23% last year.

The closed-ends had their big losers, too. Consider Cyprus Corp., which saw its market value drop by 33%. Run by Willard Rockwell, Cyprus should soon be an operating company, not a closed-end fund. Structural changes may also be afoot at Highland Capital, which is down over 33%. Rumors of possible liquidation may have contributed to its sharp rise last summer, says industry expert Thomas J. Herzfeld.

Closed-end funds typically trade at discounts from net asset value, and for the last six months these discounts narrowed, from 9.5% to 7.1%. This normally occurs in a rising market. But remember: The best time to buy closed-end funds is usually when discounts are widest.—**B.R.**

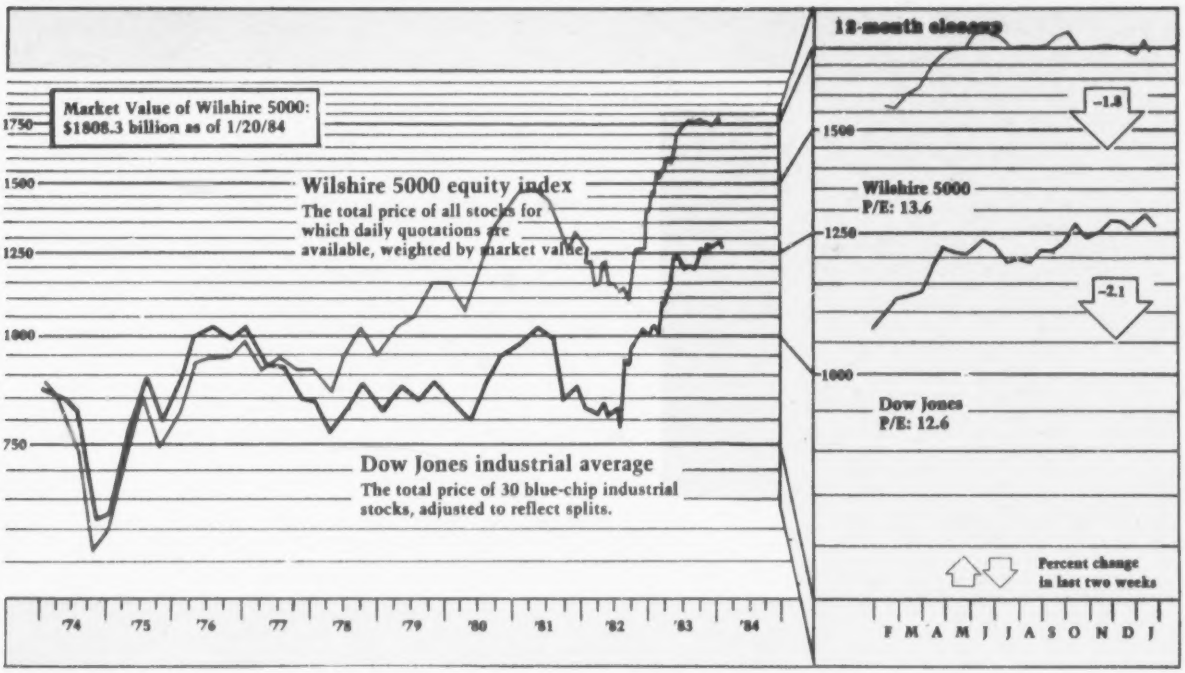
Six-month performance rankings for closed-end funds

Thanks to The Japan Fund's sterling performance, asset values of closed-end funds declined an average of only 0.9% in the second half of 1983. Share prices of these funds, however, were down 2.0%, on average.

Fund	Six-month —total return— %	rank	% premium —or discount— 6/30/83	12/30/83	Price 6/30/83	12/30/83	% change	rank	Assets 12/30/83 (mil)
The Adams Express Co	−0.3%	7	−13.2%	−7.2%	17	17⅞	5.1%	7	$370.0
American Capital Convert Secs	6.1	2	7.7	1.3	32½	31½	−3.1	13	81.0
ASA Limited	−6.2	17	1.2	−7.7	67¾	55½	−18.1	17	577.2
Baker, Fentress & Co	−4.8	15	−27.1	−18.5	32½	34	4.6	5	332.6
Bancroft Convertible Fund	−2.7	12	−9.6	−9.2	24⅝	23⅛	−5.1	14	46.0
Castle Convertible Fund	1.9	5	−4.2	1.5	36¾	31⅞	−13.0	16	31.4
Central Securities	0.5	6	−21.3	−10.7	13	14½	11.5	3	101.9
Claremont Capital	4.6	3	−23.0	−15.6	26⅛	30¼	14.7	2	43.0
Cyprus Corp	−3.0	13	NM	NM	3¼	2½	−33.3	19	29.7
General American Investors	−6.3	18	−4.2	1.0	21⅞	21¾	−1.1	11	262.8
Highland Capital Corp	−14.7*	19	28.4	0.6	20	13⅜	−33.1	18	13.5
The Japan Fund	19.6	1	−5.2	−4.7	11⅛	13¼	19.1	1	282.7
The Lehman Corp	−0.8	8	−10.5	2.1	16¼	18⅛	11.2	4	776.1
Niagara Share	−1.7	11	−4.7	4.4	19¼	20¼	5.1	8	179.0
Petroleum & Resources Corp	−1.5	10	0.3	−5.5	31½	28⅞	−8.3	15	260.4
Source Capital	2.2	4	−9.6	−5.8	30¼	30¾	1.7	9	251.3
Spectra Fund	−5.2	16	−54.1	−44.0	10½	10½	0.0	10	4.8
Tri-Continental Corp	−3.7	14	−15.5	−4.7	27¾	29⅝	6.3	6	1,019.2
US & Foreign Securities	−0.8	9	6.0	−4.2	26⅛	25¼	−1.4	12	186.2

NM: Not meaningful. *Total return through November 1983

The Forbes/Wilshire 5000 Review



Caught in a storm. After a promising start in the year's first few days, the market seems to have lost its way. Even the slightest bit of bad news sent investors scurrying to their brokers with sell orders. The blue chip Dow Jones industrial average, which fell 2.1% over the latest two weeks, was hardest hit.

The weakness of IBM, one of the 30 Dow stocks, had a major effect—both absolutely and psychologically—on this indicator. During the last ten trading days, Big Blue dropped 6½ points, or 5.5%. Expresssed another way, the market value of IBM fell almost $4 billion. The Wilshire index, which measures almost 5,000 stocks, declined 1.8% and lost some $33 billion in value in the same period. Thus the fall of IBM accounts for roughly 12% of the overall market loss.

Secondary issues, meanwhile, fared a bit better than their blue chip brethren. For the most recent two weeks, the NASDAQ is off some 1.2%, and Amex stocks show only a 0.4% decline. The Amex also outperformed the other groups during the last month. While the NYSE was up 2.1%, Amex issues were ahead by 3.1%. NASDAQ shares were in the middle, with a 2.8% advance.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	1.8	1.9	0.7	2.1	3.1	2.8
in last 52 weeks	16.0	15.6	19.6	15.6	24.0	16.6

Stock performance based on five key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	1.6	7.5	8.7	3.3	4.6	7.8	2.9	6.4	10.4	2.9	1.8	8.8
in last 52 weeks	18.0	51.3	43.9	25.3	25.1	52.2	24.8	48.6	41.5	26.7	30.3	43.3

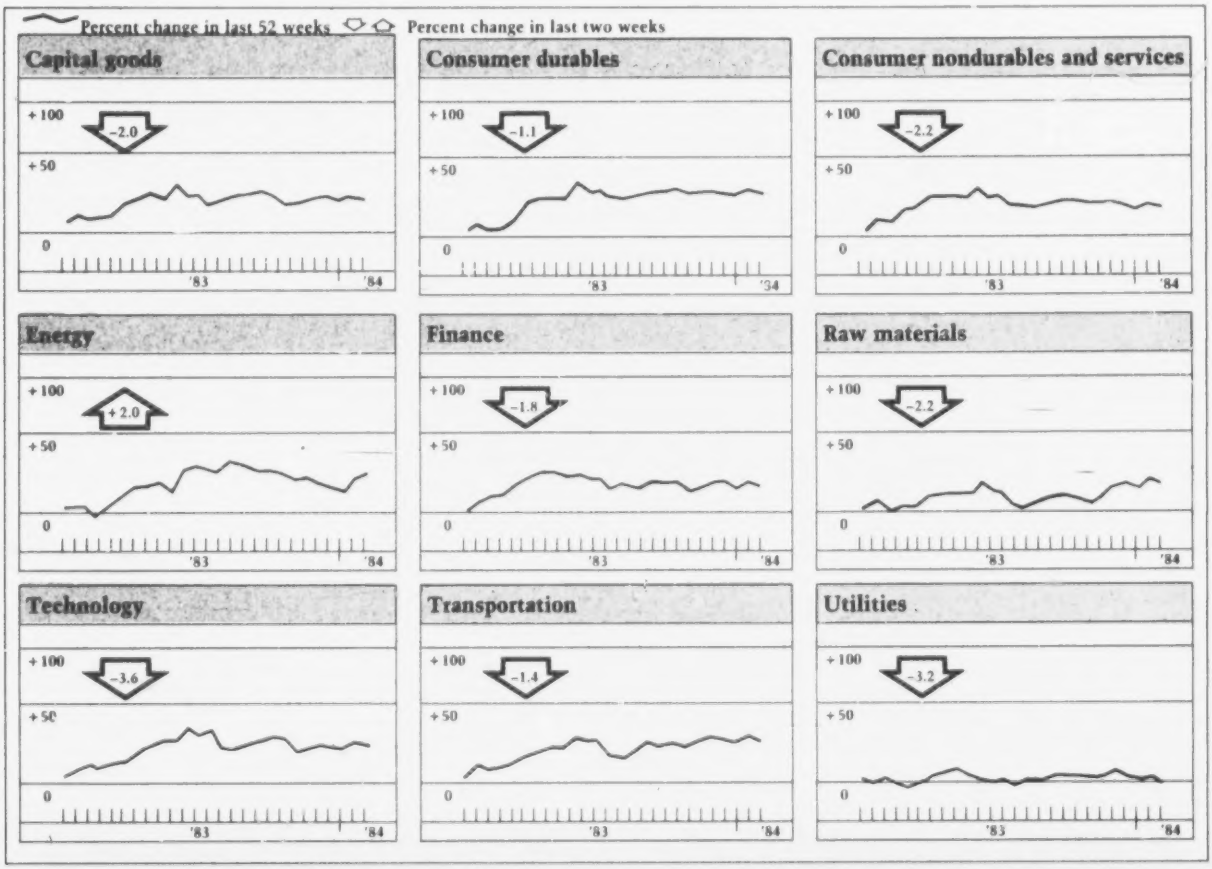
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 1/20/84. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Filling up the tank. Energy was the only sector to buck the declining market during the most recent two-week stretch. Despite weakness in the smaller oil stocks and the oil service sector, the takeover battle for Getty and its large reserves helped these companies ring up gains of 2% for the last two weeks and 6.9% for the last month.

IBM's poor performance, meanwhile, took its toll on technology issues. This group suffered the sharpest two-week drop of all nine sectors—3.6%. Close behind in the loss column were the utilities, with a 3.2% decline. Investors were responding to the cancelation of two nearly completed nuclear power plant projects and the prospect that other electric utilities might be forced to take similar actions.



What The Analysts Think

Good and cheap. Here for the first time are 1985 earnings estimates for the Forbes 500s. According to the experts, average per-share profits should more than double, from $2.55 over the latest 12 months, to $5.40 in 1985. This means, of course, that the 500s are currently selling at a little more than 7 times next year's earnings.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.55	13.3
1984 estimates	4.35	8.7
1985 estimates	5.40	7.1

Rank based on change in estimate	Sector	Estimated 1984 EPS	% change in 1984 estimate in 2 weeks	in 4 weeks
1	Energy	$1.95	3.43%	-9.89%
2	Transportation	2.60	2.51	6.89
3	Finance	3.98	0.38	-0.97
4	Utilities	3.18	0.27	1.46
5	Consumer durables	2.68	-0.26	-1.99
6	Technology	1.60	-0.83	-2.99
7	Consumer nondurables	2.46	-0.84	-1.64
8	Raw materials	2.79	-0.95	2.47
9	Capital goods	2.06	-1.81	-3.33

Earnings projections are equal-weighted consensus estimates from over 1,800 security analysts.
These figures are compiled and updated weekly by Zacks Investment Research, a Chicago based quantitative consulting firm.

Note: All data for periods ending 1/20/84. Prepared by Wilshire Associates, Santa Monica, Calif., Zacks Investment Research, Inc., Chicago, Ill.

Natural gas distribution companies are on everyone's back burner. These days perhaps they shouldn't be.

Flickers of excitement?

By Leslie Pittel

MENTION UTILITIES and most investors yawn. Mention natural gas distribution companies and chances are they'll fall asleep.

Lately, however, lucky shareholders in some of these normally low-profile companies have enjoyed fat gains. To begin with, the gas shortages of the Seventies spawned overproduction in the Eighties. That means the fundamental growth prospects of local distribution companies are brighter now than they have been in years. What with the nuclear troubles of electric utilities, meanwhile, the supply security of the gas business seems downright alluring.

But this isn't the whole story. There are fewer than 100 actively traded natural gas distributors, and there have been at least a half-dozen takeover attempts in the industry during the past year. As a result, many companies are building their defenses, pressing shareholders to approve so-called shark repellent measures.

Two examples: Equitable Gas, which operates in western Pennsylvania, recently held a special shareholders' meeting to approve staggered voting for directors and supermajority voting provisions. Indiana Gas also recently enacted staggered-voting amendments and tightened other takeover defenses. "All this was really unheard of in the utility industry," says John Kean, president of NUI Corp., a New Jersey-based gas utility currently bidding to acquire a neighboring company.

A rough-and-tumble battle in the Midwest last summer is at the root of all the worrying. Shareholders in Gas Service Co., which operates in Missouri, Kansas, Oklahoma and Nebraska, had watched the company's stock price hover near $11 for the last two years. But in June neighboring Missouri Public Service tried to acquire the company. After a third offer, of $14, Gas Service shares rose smartly. But then its board voted against a merger.

Enter Kansas Power & Light, a com-

Flames that could attract buyers

Gas distribution companies have never been the most exciting stocks. But changing market conditions may make some of these companies possible takeover targets. Meanwhile, most of the 37 natural gas utilities in this table offer the investor secure and attractive yields.

Company	Location	Recent price	Book value	Latest 12-months EPS	5-year earnings growth rate	Dividend	Yield	Revenues (mil)	S&P's rating
Alagasco	Ala	22¼	$26.88	$3.16	12%	$1.76	7.9%	$395.0	B+
Bay State Gas	Mass	20⅞	28.60	1.16	–6	2.48	11.9	312.1	B+
Brooklyn Union Gas	NY	30⅞	29.12	4.52	11	3.00	9.7	939.0	A
Cascade Natural Gas	Wash, Ore	10	11.47	0.37	–6	1.12	11.2	192.8	B
Chesapeake Utilities	Del, Md	31½	24.95	4.56	30	2.60	8.3	45.9	A–
City Gas Co of Florida	Fla	17¾	24.57	2.31	1	1.20	6.9	43.4	A–
Connecticut Energy	Conn	26¼	28.92	4.06	2	2.80	10.7	162.8	A–
Connecticut Natural Gas	Conn	20¾	18.64	1.80	2	2.40	11.6	187.0	A–
Diversified Energies	Minn, ND, SD	30¾	29.97	4.49	7	2.40	7.8	692.6	A–
Equitable Gas	Pa, WVa	32	18.61	3.26	20	1.36	4.3	417.9	A
Indiana Gas	Ind	34½	34.32	4.63	–4	3.28	9.5	416.1	A–
Intermountain Gas Inds	Idaho	16¼	18.48	3.17	51	1.52	9.4	139.9	B+
KN Energy	Kans, Nebr, Colo, Wyo	24¾	18.27	3.47	10	1.48	6.0	488.3	B+
Laclede Gas	Mo	31⅛	32.68	3.85	3	3.00	9.5	650.8	B+
Louisiana General Services	La	11¾	9.36	0.59	–2	0.50	4.4	204.3	A

Sources: Media General Financial Services Inc. by Business Information Systems, Forbes

Statistical Spotlight

bination utility that sells both electricity and gas. It made a $16 "white knight" bid for Gas Service shares, which the board quickly accepted. "The deal came together in just a few days," says Hal Hudson, a KPL spokesman. "In the end the battle wasn't bloody." Shades of Bendix, Martin Marietta and Allied Chemical, at least so far as the natural gas industry is concerned.

What made Gas Service so attractive? Like many takeover candidates, GS was in the middle of a difficult period. Earnings had declined for two years, and its bond rating had been cut. Now KPL hopes that new management and added financial support will lead to a turnaround. The utility's borrowing power has already improved, which lowers interest costs.

In New Jersey, meanwhile, another natural gas brouhaha is under way. NUI and South Jersey Industries, owner of South Jersey Gas, are both bidding to acquire New Jersey Resources. The target company, which owns New Jersey Natural Gas, has already rejected several offers. And its shares have zipped from $17 in August to a recent high of over $28.

Gas distribution companies, of course, aren't on everyone's corporate shopping list. As analysts are quick to point out, regulatory problems make it unlikely that an industrial company will acquire a gas utility. "What you might see happening, on a case-by-case basis, is one utility in a contiguous area buying another utility," says Daniel Tulis of Shearson/American Express.

Both KPL and NUI's takeover plans, for example, essentially involve geographical expansion and hopes for better profits through greater efficiency. But the gas distributors could be attractive for another reason, too. "The businesses have fairly substantial cash flow, and they are usually mature, so there isn't so much in terms of capital requirements," says Shearson's Tulis. That's why electric utilities are among the more likely potential purchasers: They appreciate the value of regular cash flow, and they know how to deal with regulators.

Investors typically buy utilities for the dividends they offer. On that basis gas distributors, with an average yield of 7%, are currently far less attractive than electric companies, which yield an average of 10%. Still, you get what you pay for. Many electric utilities are trading at depressed levels, especially those troubled with costly new generating plants. This brings lots of risk, as shareholders in Public Service of Indiana found out last month when it stopped work on a nuclear plant and cut its dividend by 65%. When was the last time that happened at a gas company?

The accompanying table presents data on 37 natural gas distributors, excluding giants like Columbia Gas and Consolidated Natural. Dividends, for the most part, are attractive and secure. The fact that most professionals ignore these stocks adds to their appeal. None of these companies is an obvious takeover candidate. But if some attractive offers come along, don't be totally surprised. ■

Flames that could attract buyers

Company	Location	Recent price	Book value	Latest 12-months EPS	5-year earnings growth rate	Dividend	Yield	Revenues (mil)	S&P's rating
Michigan Energy Resources	Mich	13½	$12.76	$1.18	–2%	$1.34	9.9%	$161.0	B+
Mississippi Valley Gas	Miss	24½	24.12	3.32	3	1.80	7.3	232.1	A+
Mobile Gas Service	Ala	9⅜	9.98	1.01	0	0.88	9.4	78.8	A–
Mountain Fuel Supply	Utah, Wyo	28⅞	17.49	3.32	13	1.44	5.0	510.3	A
National Gas & Oil	Ohio	11½	8.95	1.37	9	0.40	3.5	55.0	A–
New Jersey Resources	NJ	22⅛	17.04	2.20	3	1.84	8.3	279.9	B+
North Carolina Natl Gas	NC	15⅜	17.30	2.00	5	1.60	10.4	166.5	A–
Northwest Natural Gas	Ore, Wash	14	13.88	1.65	3	1.36	9.7	375.7	A–
NUI Corp	NJ	26½	23.48	3.10	32	2.20	8.3	303.7	B+
Pennsylvania Enterprises	Pa	17⅝	25.71	3.86	34	1.80	10.2	188.3	B+
Piedmont Natural Gas	NC, SC	24	21.95	3.62	13	2.08	8.7	346.5	B+
Providence Energy	RI	20¼	24.12	2.92	10	1.80	8.9	155.6	B+
Public Svc No Carolina	NC	16½	13.43	1.84	8	1.64	9.9	211.8	B+
Rocky Mtn Natural Gas	Colo	9¾	7.33	0.74	6	0.60	6.2	20.9	B+
Southeastern Mich Gas Ents	Mich	14¾	12.93	1.82	0	1.52	10.3	67.6	B+
South Jersey Inds	NJ	23¼	23.56	2.46	0	2.32	10.0	298.5	A–
Southwestern Energy	Ark	20¼	5.95	1.50	23	0.52	2.6	62.7	A–
Southwest Gas	Calif, Nev, Ariz	12½	10.40	2.69	11	1.20	9.6	399.1	B+
UGI Corp	Pa	17¾	27.71	0.59	–7	2.04	11.5	688.3	A
Washington Energy	Wash	15¾	17.00	1.26	–2	1.60	10.2	339.3	A–
Washington Gas Light	DC, Md, Va	31⅜	31.88	4.36	10	2.88	9.2	682.8	A
WICOR	Wis	22⅛	24.57	2.27	–6	2.14	9.7	649.7	B+

Sources: Media General Financial Services Inc. by Business Information Systems. Forbes